

Office of Legislative Auditor

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Department of Treasury

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Louisiana Revised Statute (R.S.) 39:87.3 requires the legislative auditor to provide an assessment of those agencies that are deficient in their capacity to execute the requirements relative to the production of performance progress reports to the Joint Legislative Committee on the Budget. This report gives the results of our examination of the performance data reported for all four programs of the Department of Treasury for the first quarter of fiscal year 2002.

The significant findings included in this report are as follows:

- The department's performance indicators are suitable for their intended use.
- One performance indicator in the Administrative Program is not reliable.
- Some of the performance indicator values are based on estimates or management's judgment, and thus, may or may not be reliable. No documentation existed for us to analyze.

Sincerely,

Daniel G. Kyle, CPA, CFE
Legislative Auditor

Background

The Department of Treasury has four programs:

- The **Administrative Program** provides leadership and support to manage the operations of all departmental programs.
- The **Financial Accountability and Control Program** is responsible for the custody and disbursement of monies in the state treasury in accordance with law.
- The **Debt Management Program** provides staff for the State Bond Commission and also monitors state and local debts.
- The **Investment Management Program** invests state funds deposited in the state treasury in a prudent manner.

Exhibit 1 shows the funding and positions that the legislature appropriated for fiscal year 2002. Exhibit 2 on page 2 shows the objectives and performance indicators for all four programs of the department.

Exhibit 1 Department of Treasury Appropriations for Fiscal Year 2002		
Program	Appropriation	Positions
Administrative	\$2,025,078	22
Financial Accountability and Control	2,307,710	18
Debt Management	2,123,574	9
Investment Management	1,357,647	6
Total	\$7,814,009	55

Note: The department also received an additional \$4 million to provide funding for the Exceptional Performance and Gainsharing Incentive Program.

Source: Prepared by legislative auditor staff using data obtained from Act 12 of the 2001 Regular Legislative Session.

Exhibit 2
Department of Treasury
Objectives and Performance Indicators
Fiscal Year 2002-1st Quarter

Program	Objectives	Performance Indicators	Target	Value Reported
Administrative	To ensure that 100% of the department's operational objectives are achieved.	Percentage of department operational objectives achieved during fiscal year	90%	91%
	To administer the Uniform Unclaimed Property Act of 1997 in accordance with R.S 9:151 <i>et seq.</i>	<ul style="list-style-type: none"> Percentage of written inquiries researched within 30 days Number of holders reporting to Unclaimed Property Number of refund checks issued 	N/A N/A N/A	N/A N/A N/A
Financial Accountability and Control	To ensure that all department programs are provided support services to accomplish 100% of their objectives by June 30, 2002.	<ul style="list-style-type: none"> Percentage of department objectives not accomplished due to insufficient support services Number of repeat audit findings related to support services reported by the legislative auditor 	0% 0	0% 0
	To convert the state's central banking system as a result of a Request for Proposal (RFP) for banking services no later than June 30, 2002.	Percentage of completion of the conversion of the state's centralized banking system by December 31, 2001	75%	100%
Debt Management	To convert existing data in the old state debt tracking system to the new state debt tracking system.	<ul style="list-style-type: none"> Percentage of data from "old" debt tracking system input into "new" debt tracking system Percentage completion of project to replace debt tracking system 	100% 0%	100% 50%
	To take steps to place State Bond Commission meeting agendas on the Internet for purchase by customers by June 30, 2002.	Percentage completion of project to offer State Bond Commission agendas on the Internet	0%	0%
Investment Management	To increase the annual yield of the state General Fund by 5-10 basis points.	Fiscal year-end annual yield on state General Fund investments (expressed as a percentage)	1.3%	1.0%
	To increase the annual investment return of the Louisiana Education Quality Trust Fund (LEQTF) on a year-to-year comparative basis to grow the Permanent Fund to \$900 million.	<ul style="list-style-type: none"> Fiscal year-end annual total return on LEQTF investments (expressed as a percentage) LEQTF Permanent Fund fair market value (in millions) 	1.3% \$870.0	(2.7%) \$863.2

Notes: Key performance indicators are shown in bold.

N/A = Values for supporting performance indicators are required to be reported for only the second and fourth quarters of each fiscal year.

Source: Prepared by legislative auditor staff using data obtained from the Louisiana Performance Accountability System.

Validity

Are the performance indicators for these programs valid?

We determined that the department's performance indicators are valid. The validity of a performance indicator is determined by whether it is suitable for its intended use. Factors we used to gauge the validity of a performance indicator include whether it is relevant to the missions, goals and objective of the program and whether it can be linked to a major function of the program.

Management Controls Assessment

Do the internal controls of the department offer assurance that the performance indicators and data are reliable and valid?

With one exception, the department's data input, processing and review controls are adequate to offer reasonable assurance that the data used to compile the performance indicators are reliable. A department official informed us that there is no management control system in place to capture data for compilation of the *Percentage of written inquiries researched within 30 days* in the Unclaimed Property Section. The department does not currently keep track of the actual number of inquiries and estimates the value it reports for this performance indicator. No estimate is shown in Exhibit 2 because this is a supporting performance indicator.

According to a department official, the department is testing software that will calculate and track these data. Management will use the software to assess whether the objective has been attained.

Reliability

Are the performance indicators reliable?

Administrative Program. The first performance indicator of the Administrative Program is *Percentage of department operational objectives achieved during year*. We determined its value is not reliable. To calculate this performance indicator, the department assigns a percentage to each performance indicator that reflects what percentage of the target has been achieved. A department official then adds up the percentage of completion of each performance indicator and divides by the total number of performance indicators. This methodology is not reliable because in some cases the objectives are not measurable. For example, one objective - *To administer the Uniform Unclaimed Property Act of 1997 in accordance with R.S. 9:151, et seq* - does not provide information about intended progress toward specific targeted levels of performance. As a result, it is impossible to know what percentage of this objective has been achieved by reviewing performance indicators related to Unclaimed Property activities.

For the Unclaimed Property Section, as previously discussed, the value of one performance indicator is an estimate of the number of written inquiries researched within 30 days, and is thus not reliable. The values for the other two Unclaimed Property Section performance indicators are reliable.

Other Programs. For the other three programs of the department, the values for the nine performance indicators are reliable. However, it should be noted that for the Debt Management Program, the values of the two performance indicators concerning the debt tracking system were determined by management's judgment of the progress in achieving the performance indicators. There was no supporting documentation that we could review.

Also, the second objective of this program is misleading because it states: *To take steps to place State Bond Commission meeting agendas on the Internet for purchases by customers by June 30, 2002.* A department official informed us the wording of this objective was a mistake because it was not the department's intent that customers be charged for accessing commission meeting agendas on the Internet.

Finally, in the Financial and Accountability Control Program, there was no supporting documentation for *Percentage of department objectives not accomplished due to insufficient support services.* Management's judgment determines the value of this performance indicator.

Other Matters

Debt Management Program. The three performance indicators measure progress achieved on short-term projects rather than the program's overall performance. Since this program will soon complete its debt tracking system and has

placed State Bond Commission agendas on the Internet, a new objective and related indicators will have to be developed. As a result, the performance of this program cannot be tracked over a period of time. Some of the program's general performance indicators do measure overall performance over time. Examples of such general performance indicators include the number of bond issues managed (state level), the number of defaults of publicly held debt, and the number of local elections reviewed.

Investment Management Program. Debt and equity market conditions largely determine the values of two performance indicators that measure annual yield and return on investment. These two performance indicators would be more meaningful in portraying performance of this program's managers if they could compare the program's performance with a benchmark yield (or return) of a portfolio with similar assets and asset maturities. Thus, for example, if another state or a recognized mutual fund has a portfolio similar to Louisiana's general fund, the performance of the staff of this program could be compared with the investment yield achieved by another state or mutual fund's investment managers.

Need more information?

Contact Dan Kyle, Louisiana Legislative Auditor, at (225) 339-3800.

A copy of this report is available at our Web site (www.lla.state.la.us).

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